

# CHAPTER XI

## FUTURE ISSUES AND IMPLEMENTATION FACTORS

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This chapter summarizes issues related to the Los Vaqueros Expansion Investigation (LVE), including areas that may require further consideration in the next phase of the feasibility investigation.

### INVESTIGATION PROCESS FACTORS

Numerous institutional, agency, and local issues are likely to surface as the LVE progresses toward a Feasibility Report and project implementation. Many of these issues or concerns will become better defined and more appropriate for resolution once alternative plans, and later the tentatively selected plan, are defined. However, at least five areas have been identified that should be addressed early in the next phase of the LVE: active study involvement by the State of California (State), the relationship of the LVE to the CALFED Bay-Delta Program (CALFED) and other programs/projects; local cooperation and support; Contra Costa Water District (CCWD) Board of Directors principles of participation, and Environmental Water Account (EWA) replacement planning objective fulfillment. These issues are summarized below.

#### State of California Active Study Involvement

The California Department of Water Resources (DWR) is a likely non-Federal sponsor for the LVE, in conjunction with other local interests. However, for the State to effectively move forward as a potential non-Federal sponsor of the project, DWR will need to continue to assess alternatives with respect to the water resources needs and objectives of the State. This includes continued active involvement in evaluating alternatives within the context of the State Water Project (SWP), broad public benefits, or identifying specific State and regional goals or preferences for the project. Active involvement by the State will entail heightened coordination among agency representatives, local water agencies, study managers, and technical teams.

#### Relationship to CALFED and Other Programs and Projects

The LVE is following established Federal planning principles and practices, which require definition of water resources and related problems and needs, identification of planning objectives and criteria, development of alternatives to address planning objectives, and selection, if appropriate, of a plan with Federal interest for implementation. A specific set of planning objectives has been developed (**Chapter V**) to address identified water resources problems and opportunities (**Chapter IV**). However, because the LVE is being pursued within the context of CALFED, the study must consider the influence on and of other CALFED elements as part of the planning process described in **Chapter V**. For example, the CALFED Record of Decision (ROD) established a “beneficiary pays” principle. Future studies will need to interpret this principle in relation to established Federal cost-sharing and allocation standards and authorities.

When detailed alternative plans are developed in the next phase of the LVE, their influence on and contributions to the goals and objectives of CALFED (as defined in the 2000 CALFED ROD) will be evaluated and described in the draft and final Feasibility Report. This includes the ability of other planned or potential CALFED actions to address LVE planning objectives. Similarly, potential scenarios for how a new project with Federal participation would be implemented and/or integrated with existing projects (such as the Central Valley Project (CVP)) will be evaluated, as appropriate, when detailed alternative plans are formulated.

### **Local Cooperation and Support**

Local cooperation requirements and willingness to participate must continue to be addressed as plan formulation progresses for the LVE. This includes addressing planning objectives, and corresponding Federal participation conditions while also satisfying local principles and institutions. For each project purpose, a non-Federal sponsor must be identified that is willing to share in the cost for the purpose. This can be challenging for multipurpose projects that address local objectives and Federal purposes, while also providing other benefits. For example, the likely purposes of a project to expand Los Vaqueros Reservoir are to improve San Francisco Bay Area (Bay Area) water supply reliability and provide a less-costly EWA replacement supply, to which costs would be allocated and shared according to Federal cost-sharing requirements. However, such a project is likely to provide other benefits, such as water quality or recreation. These other benefits may or may not warrant identification as separate project purposes, or modification of Federal cost-sharing responsibilities. This would depend on whether specific features are included to enhance these other benefits, which may be desired by participating agencies or be a condition of local participation. These and other issues related to local cooperation, project support, and participation in project funding and implementation will be addressed in greater detail in the next phase of the LVE.

### **CCWD Board of Directors Principles of Participation**

The CCWD Board of Directors established various principles for participation in a project to expand Los Vaqueros Reservoir, as described in **Chapter II**. It is believed that agreements could be developed between the U.S. Department of the Interior, Bureau of Reclamation (Reclamation) and CCWD honoring the intent of each of the CCWD Board of Directors principles if a project is developed that includes Federal participation in implementation. Following is a summary of how each of the principles could be respected in a joint project addressing the objectives of the LVE:

- **A project is to improve water quality and reliability for CCWD** – It is believed that any enlargement of Los Vaqueros Reservoir could contribute to water supply reliability for CCWD, while also providing water quality improvements.
- **A project is to improve CCWD customer dry year reliability** – Each of the initial alternatives can provide CCWD with increases in water supply reliability benefits.

- **A project is to enhance the Delta environment** – A project that supported long-term implementation of the EWA would benefit at-risk fish in the Delta, which would subsequently help improve the Delta environment.
- **A project is to protect and enhance the fisheries and terrestrial species benefits provided by the existing Los Vaqueros Project** – Any project including the enlargement of Los Vaqueros Reservoir would include features to either avoid or mitigate adverse impacts to environmental resources. Features to further enhance ecosystem resources near the existing reservoir could be included in the project as an additional project purpose, at the request of the non-Federal sponsor.
- **A project is to preserve and increase the recreation opportunities of the Los Vaqueros Project** – A project including the enlargement of Los Vaqueros Reservoir would likely include features to avoid or mitigate adverse impacts to recreation resources. Features to increase recreation opportunities could be added to the project as a new project purpose, at the request of the non-Federal sponsor.
- **CCWD continues as owner and manager of the Los Vaqueros Watershed** – Various institutional arrangements could be developed for a joint project to expand Los Vaqueros Reservoir. For a project in which Reclamation participates in both implementation and operation, Reclamation would likely hold ownership of the dam and related structures, lands inundated by the reservoir, and lands immediately adjacent to the inundation area (as required for operation and maintenance). CCWD would maintain ownership of the lands and watershed surrounding the expanded reservoir.
- **CCWD maintains control over recreation in the Los Vaqueros Watershed** – Reclamation would likely develop agreements that would defer management of recreation facilities and activities at the expanded reservoir (and any adjacent Federal lands) to local entities. CCWD would maintain control over recreation and other activities on adjacent watershed lands for which it maintained ownership.
- **CCWD continues as operator of the Los Vaqueros Reservoir System** – An expanded Los Vaqueros Reservoir would continue to perform the water quality functions of the current project for CCWD, while also meeting new operational objectives. It is believed that institutional arrangements and agreements exist under which CCWD could continue to operate the project on behalf of project beneficiaries.
- **A project protects and reimburses the financial investment made by CCWD customers, who financed the existing \$450 million Los Vaqueros Project** – A principle in the formulation process (Chapter V) was to make recipients of benefits of the existing Los Vaqueros Reservoir project whole. Under this principle, present recipients would receive essentially the same benefits as they currently do and at no increased costs. The cost of existing Los Vaqueros Project facilities that would be modified, and/or replaced as part of an enlargement project would be included as a cost of the new project. These costs would be shared in the same manner as other project costs with project beneficiaries (see potential

institutional arrangements discussion below and cost allocation discussion in **Chapter IX**). Accordingly, it is expected that the original CCWD investment would be retained.

- **Water rates for CCWD customers will not increase as a result of the expansion project** – The extent of CCWD’s participation in a project to enlarge Los Vaqueros Reservoir could range from that of a cooperating agency to cost-sharing local sponsor depending on the type and extent of benefits attributable to the district. Costs would be attributed to participating agencies relative to the benefits they receive from the project in accordance with Federal cost allocation procedures. CCWD has made a commitment to their rate payers that rates would not increase as a result of a project to enlarge Los Vaqueros Reservoir. They intend to manage this using their equity in the existing Los Vaqueros Project to contribute toward their share of project costs; if that value is not sufficient to pay CCWD's share, then payment for any remaining benefits would come from other projects in CCWD's future Capital Improvements that would become unnecessary as a result of participation in the project.

### **Fulfilling the EWA Replacement Supply Planning Objective**

As mentioned, one of the two primary planning objectives is to use an expanded Los Vaqueros Reservoir to develop EWA replacement supplies if the cost of water provided from an expanded reservoir is less than the cost of water otherwise obtained through the program. Included in **Chapter IX** (Special Topics) is a summary discussion of a potential least-cost EWA replacement analysis. It generally concludes that from available information on water supplies and demands in the State, and potentially reasonable estimates about future population growth rates and other water resources trends, water prices in transfer markets will potentially significantly increase in the future. However, to confirm this conclusion, a much more rigorous analysis is needed. This analysis must not only include projections about population growth and resulting future water demands, supplies, and shortages, but also projections about the future of emerging water markets and how those markets may function and water pricing possibilities in highly uncertain water supply environments. In addition, this analysis will need to be sophisticated enough to garner support from multiple water interests and undergo scrutiny from numerous agencies, groups, and individuals. Accordingly, an evaluation to assess the relative cost of the long-term implementation of the EWA Program compared with the cost to enlarge Los Vaqueros Reservoir will be an important activity in the next phase of the LVE.

### **POTENTIAL INSTITUTIONAL ARRANGEMENTS**

Federal, State, and local entities could participate, either jointly or individually, in a project to address the objectives of the LVE under various institutional arrangements or organizational structures. These arrangements would be subject to the laws, regulations, and guidelines that govern each agency. For example, Public Law 93-251 specifies that, in the absence of specific legislative directive, fish and wildlife enhancement may be given full consideration as a purpose of Federal water development projects if local sponsors bear certain financial and operational responsibilities. Federal financial participation would include 25 percent of separable costs, administration of project land and water areas devoted to these purposes, and all costs related to operation, maintenance, and replacement of project facilities. The Water Resources

Development Act of 1986, and corresponding Department of the Interior policy and Reclamation guidelines, require non-Federal financial participation in environmental improvements and for multiple-purpose projects for water supply and recreation. Similarly, the CCWD Board Principles of Participation may influence the type of institutional arrangements possible for implementing and operating a joint reservoir expansion project.

The extent of Federal cost-sharing in Reclamation projects, such as a project involving the expansion of Los Vaqueros Reservoir, is defined in various laws and administrative provisions. Although it is recognized that an expanded Los Vaqueros Reservoir could contribute to area recreation and in-basin ecosystem enhancement, studies to date indicate that the primary interest in the project by Reclamation would be for the purposes of water supply for the Bay Area and lower cost participation in the EWA. The level of Federal interest and extent of Federal cost share for these primary purposes would depend on various factors, including, but not limited to, a determination of the contributions toward the planning objectives, non-Federal sponsorship, economic feasibility, the method of marketing new water supplies, and regional acceptability.

From a Federal perspective, a project to enlarge Los Vaqueros Reservoir could be implemented under three basic arrangements: either as (1) a Federal project, (2) a joint Federal and non-Federal project, or (3) a non-Federal (local only) project. Each of these basic implementation arrangements is summarized below.

### **Federal Project**

Civil works water resources projects that include Federal participation require a non-Federal sponsor. For projects in which there is a demonstrated Federal interest, this participation ranges from active involvement in project development studies and construction support, to operation and maintenance (O&M) of the completed works, to purchase of project benefits/outputs. Under this arrangement, Reclamation would fund and construct a Federal increment beyond the existing CCWD 100,000-acre-foot Los Vaqueros Reservoir. The completed project would be a Federal increment. In the case of a water supply project, repayment would be made over time by the non-Federal sponsor(s) through long-term water supply contracts, similar to other Reclamation projects. Basic authority for this arrangement would likely be through The Reclamation Act of 1902. Future studies will need to consider numerous issues regarding long-term contracts, among which is acquisition of water rights.

### **Federal and Non-Federal Project**

Under this arrangement, the non-Federal sponsor would be an active partner in project development studies, construction support, and O&M of the completed works. Various forms or options exist of a potential Federal and non-Federal partnership in the implementation of a new project increment at Los Vaqueros Reservoir. Following is a summary of two of the most likely implementation options:

- **Federal and CCWD Project** – Under this option, Reclamation and CCWD would proceed to implement a new project that included expanding Los Vaqueros Reservoir. A new project would be constructed by Reclamation with reimbursement of certain costs based on

additional benefits received by CCWD for its allocated share of the project at the time of construction. Potential arrangements concerning project ownership requires further investigation. The magnitude of CCWD reimbursement would depend on future studies, including cost allocation and apportionment analysis. How the project would be maintained also would need to be evaluated, but it is believed that it could be maintained by CCWD through agreements with Reclamation.

- **Federal, CCWD, and Other Non-Federal Sponsor(s) Project** - Under this option, Reclamation, CCWD, and one or more other non-Federal sponsors would proceed to implement a new Los Vaqueros Project. It is believed that CCWD (State and/or local agencies) would be a project sponsor under any scenario because of its ownership of the existing project and the CCWD Board of Directors Principles of Participation. Other potential non-Federal sponsors would include the State of California, likely through DWR, and/or other Bay Area water agencies. The extent of the Federal and non-Federal contribution toward project construction and methods by which the project would be operated and maintained would be determined in future analyses. It is believed that an agreement could be made between Reclamation and CCWD consistent with each of the CCWD Board of Directors Principles of Participation.

### **Non-Federal (Local) Project**

A number of potential arrangements exist under which a project involving the expansion of Los Vaqueros Reservoir could be implemented by non-Federal interests. These options range from a CCWD-only project to one involving several State and local area sponsors. Following is a summary of several local project implementation options.

- **CCWD-Only Project** –Under this option, CCWD would proceed with implementing the LVE project. Primary project elements likely would include enlarging Los Vaqueros Reservoir and facilities similar to existing Delta pumping and conveyance features to provide water to the reservoir. CCWD would own and operate the completed project. CCWD also would be the primary beneficiary from increased water supply reliability, water quality, and other incidental benefits. CCWD would have the option of making project benefits (water supply, improved water quality, or EWA) available to local Bay Area agencies.
- **State and CCWD Project** – Under this option, the project would be implemented by both the State, through DWR, and CCWD. It is likely that each entity would own an increment of the project, which would be operated by CCWD through agreements with the State. Increased water supplies from the project would benefit both CCWD and the State, likely through the SWP. The project also could include water quality improvement and ecosystem restoration benefits to at-risk fish in the south Delta.
- **CCWD and Others Project** – Various other potential non-Federal project ownership and implementation options exist. Each of the options would involve implementation by CCWD with the State and/or other Bay Area water agencies. These options are illustrated in the April 2004 Planning Report for the Los Vaqueros Reservoir Expansion Studies.

## IMPLEMENTATION

The next major step in the feasibility study is to further develop the initial alternatives presented herein into a set of detailed alternative plans. The emphasis of upcoming studies will be on operations modeling, additional study of future regional water demands and economic conditions, preliminary designs and costs, identifying potential impacts and mitigation features, and completing environmental studies and documentation. The next phase of the LVE – the Alternatives Plans Phase - will be summarized in a Plan Formulation Report, anticipated in mid-2006, as shown in **Figure XI-1**. The Feasibility Report and accompanying Environmental Impact Statement/Environmental Impact Report (EIS/EIR) are scheduled for completion in late 2007.

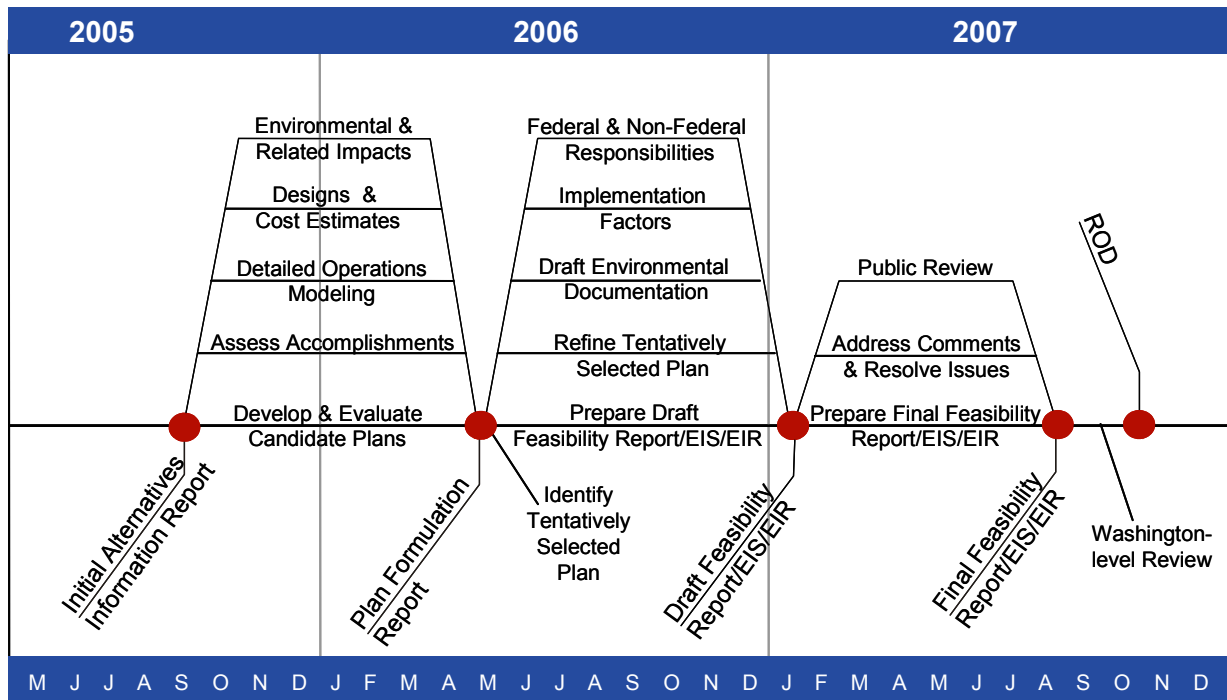


FIGURE XI-1 – LOS VAQUEROS EXPANSION INVESTIGATION SCHEDULE

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